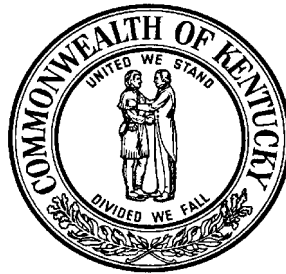


**REPORT OF THE AUDIT OF THE  
GRANT COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton, Grant County Sheriff  
Members of the Grant County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Grant County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Grant County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure

The above transmittal letter accompanied the audit report presented to the fiscal court. KRS 43.090(2) requires that this letter be published in this newspaper. Copies of the complete audit report, including the accompanying financial statements and additional information, are available in the reports section of the Auditor of Public Accounts' website at [www.kyauditor.net](http://www.kyauditor.net) or upon request by contacting the Auditor of Public Accounts, 144 Capitol Annex, Frankfort, Kentucky 40601.





**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GRANT COUNTY SHERIFF**

Calendar Year 2001



**EXECUTIVE SUMMARY**

**GRANT COUNTY**  
**RANDY MIDDLETON, SHERIFF**  
**CALENDAR YEAR 2001**  
**FEE AUDIT**

The Grant County Sheriff's 2001 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Fee account receipts increased by \$49,829 from the prior calendar year. As a result of fee pooling (See Note 5) during calendar year 2001, no operating disbursements are reflected on the Sheriff's financial statement. The Sheriff remits all fees directly to the fiscal court. The fiscal court pays all expenditures of the Sheriff's office. The Sheriff paid \$436,530 to the fiscal court for calendar year 2001 as fees.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





## CONTENTS

	<b><u>PAGE</u></b>
Independent Auditors' Report	1
Statement of Receipts, Disbursements, and Excess Fees	2
Notes to Financial Statement	3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards	6





To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton, Grant County Sheriff  
Members of the Grant County Fiscal Court

### **Independent Auditors' Report**

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Grant County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
September 17, 2002



**GRANT COUNTY**  
**RANDY MIDDLETON, SHERIFF**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**

Calendar Year 2001

**Receipts**

State Grants		
KLEFPF		\$ 58,035
State Fees For Services:		
Finance and Administration Cabinet	\$ 5,556	
Transporting Prisoners	9,636	
Cabinet for Human Resources	<u>294</u>	15,486
Fiscal Court		64,225
Circuit Court Clerk -		
Sheriff Security Services	\$ 27,548	
Fines and Fees Collected	<u>6,421</u>	33,969
County Clerk - Delinquent Taxes		1,797
Commission on Taxes Collected		220,458
Fees Collected For Services -		
Auto Inspections	\$ 11,515	
Accident and Police Reports	670	
Serving Papers	47,646	
Carrying Concealed Deadly Weapon Permits	8,115	
Delinquent Tax Add-on Fee	33,657	
Bond	81	
Election	90	
Miscellaneous	<u>1,003</u>	102,777
Interest Earned		<u>4,008</u>
<b>Gross Receipts</b>		<b>\$ 500,755</b>
Less: Statutory Maximum	\$ 61,306	
Training Incentive	<u>2,919</u>	<u>64,225</u>
Excess Fees Due County for Calendar Year 2001		\$ 436,530
Payment to County Treasurer - Various Dates (See Note 5)		<u>436,530</u>
<b>Balance Due at Completion of Audit</b>		<b><u><u>\$ -</u></u></b>

The accompanying notes are an integral part of the financial statement.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**December 31, 2001**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Fund Accounting**

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**B. Basis of Accounting**

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

**C. Cash and Investments**

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM**

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months and 16.28 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

**GRANT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2001**  
**(CONTINUED)**

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)**

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

**NOTE 3 - DEPOSITS**

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

**NOTE 4 - SPECIAL ACCOUNTS**

- A) The Grant County Sheriff's office maintains a Drug Fines and Forfeitures account. This account consists of money obtained through drug forfeitures and seizures. The account had a balance of \$2,213 on January 1, 2001. The account received \$10,845 and expended \$9,718 during calendar year 2001. The account balance as of December 31, 2001, was \$3,340.
- B) The Grant County Sheriff's office maintains an account named the "Explorer Account". This is the operating account for the Explorer Scout Post. This account consists of the profits resulting from vending machine sales, fund-raising events, and donations. The expenditures from this account are to promote youth law enforcement programs throughout Grant County. The account had a balance of \$1,211 on January 1, 2001. The account received \$13,586 and expended \$13,016 during calendar year 2001. The account balance as of December 31, 2001, was \$1,781.

**NOTE 5 - FEE POOLING**

On August 1, 1999 the Grant County Sheriff's office began fee pooling with the county. Presently money collected each month is taken to the County Judge/Executive's office and the Finance Officer issues a receipt to the Sheriff's office. The amounts listed as payments to the County Treasurer on the financial statement represent the monthly fee checks written to the county.

THIS PAGE LEFT BLANK INTENTIONALLY



**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton, Grant County Sheriff  
Members of the Grant County Fiscal Court

**Report on Compliance and on Internal Control Over Financial Reporting Based on an  
Audit of the Financial Statement Performed in Accordance With Government Auditing Standards**

We have audited the Grant County Sheriff as of December 31, 2001, and issued our report thereon dated September 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Grant County Sheriff's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Grant County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
September 17, 2002